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**PGIM INDIA**

**CORE EQUITY PORTFOLIO STRATEGY**





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## From the desk of the Portfolio Manager for PGIM India Core Equity Portfolio Strategy

Dear Investor,

In this newsletter, we wish to discuss and reflect on the quarterly results of a few companies we have in our portfolio.

### Exhibit1: Q1 FY 20 performance of companies in the portfolio

Company	Q1 FY2019				Q1 FY 2020				Growth				Sectors
	Revenue/ NII	EBITDA/ PPoP	PAT	EPS	Revenue/ NII	EBITDA/ PPoP	PAT	EPS	Revenue/ NII	EBITDA/ PPoP	PAT	EPS	
Indraprastha Gas Ltd.	1287	295	176	2.50	1576	359	218	3.10	22%	21%	24%	24%	Utilities
Power Grid	8337	7137	2241	4.30	8798	7890	2428	4.60	6%	11%	8%	7%	Utilities
Great Eastern Shipping	821.3	298.4	-244.3	-16.3	782.8	276.1	-53.8	-3.6	-5%	-7%	-78%	-78%	Shipping
Divis Laboratories	995	352	266	10.00	1140	379	267	10.10	15%	8%	0%	1%	Pharmaceuticals
Cipla	3,939	726	451	5.60	3,989	905	478	5.93	1%	25%	6%	6%	Pharmaceuticals
Sanofi India Ltd	683.6	164.5	99.6	43.20	747.9	157.8	97.4	42.30	9%	-4%	-2%	-2%	Pharmaceuticals
Container Corporation	1498.3	320.2	252.4	4.10	1638.9	403.3	227.8	3.70	9%	26%	-10%	-10%	Logistics
Infosys limited	19,128	4,537	3,612	8.31	21,803	4,471	3,802	8.80	14%	-1%	5%	6%	IT
Oracle Financial Services	1344.9	624.5	401.9	46.8	1275.1	618.8	377.4	43.8	-5%	-1%	-6%	-6%	IT
MCX	73	25	7	1.44	79	28	44	8.59	9%	11%	496%	497%	Exchanges
Engineers India	583	86	89	1.42	743	139	126	1.99	27%	61%	41%	40%	Engineering Services
ITC Ltd	10707	4202	2819	2.30	11301	4566	3174	2.60	6%	9%	13%	13%	Consumer
Cummins	1328.0	214.7	183.0	6.6	1343.0	151.4	141.5	5.1	1%	-29%	-23%	-23%	Capital Goods
Thermax Ltd	1035	69	49	4.30	1393	99	63	5.60	35%	43%	29%	30%	Capital Goods
GE Power Ltd.	443	10	2	0.35	429	-25	-9	-1.30	-3%	-355%	-491%	-471%	Capital Goods
Bharat Electronics Limited	2102	311	180	0.74	2102	348	205	0.84	0%	12%	14%	14%	Capital Goods
State Bank of India	21798	11973	-4876	-5.46	22939	13246	2312	2.59	5%	11%	-147%	-147%	Banks
Bank of Baroda**	4381	3006	528	2.00	6498	4276	710	2.04	48%	42%	34%	2%	Banks
Castrol	1017	252	164	1.66	1040	284	183	1.85	2%	13%	11%	11%	Auto
BOSCH	3212	628	431	141.20	2778	483	280	94.90	-14%	-23%	-35%	-33%	Auto
Rallis	573	83	55	2.81	623	95	68	3.48	9%	14%	24%	24%	Agrochemicals
PI Industries	606	116	82	5.92	754	149	101	7.3	25%	28%	23%	23%	Agrochemicals
Jagran Prakashan	603	164	85	2.74	584	141	64	2.17	-3%	-14%	-25%	-21%	Media

Source of data: Company fillings

\*\* Bank of Baroda Q1 2018 numbers are pre-merger numbers

### Shipping

We have Great Eastern Shipping in our portfolio and we remain optimistic on the long-term prospects of the company. The stock price has performed very poorly in last few years and has tested the patience of investors. The down phase of the cycle has been long but we remain happy with the way the company has managed itself during the downcycle.

The important things which we look at are the operating cash flows, leverage on balance sheet, size of the fleet and global orderbook in various classes of ships. In a scenario when most companies in the shipping business have wound down their operations, GESCO has been generating good operating cash flows, debt has remained flattish, the size of fleet has increased from 30 ships in FY2014 to 47 ships in FY2019 and it has been paying dividend continuously. What makes us optimistic about the future is the reducing overbook in shipping across all the major classes of ships where Great Eastern Shipping is present. In a recent concall, the Company has stated that the charter rates in the offshore segment have started improving and the new orders which it has won recently are at rates better than the previous orders it had won.

Current Net Asset Value per share is between Rs 450 and Rs 475. Company has announced a buyback worth Rs 100 cr from market which is nearly 3% of the market cap at stock price of Rs 230 and the maximum purchase price for buyback is Rs 306.



## Exhibit 2: Operational parameters of GESCO

Operational Parameters	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Q1 FY20
Operating Cash Flow	1358	1444	2059	1476	978	1075	305
Gross Debt	6119	6540	5758	6815	6213	5988	5917
Net Debt	2577	2806	1858	2475	2430	2504	2235
Equity	6773	7431	6563	7223	6929	6809	6755
Net Debt: Equity	38.00%	38%	28%	34%	35%	37%	33%
DPS	9.00	11.00	13.50	10.10	7.20	5.40	NA
CEPS	81.76	90.38	124.45	107.26	50.77	58.65	15.82
<b>Fleet of GESCO</b>							
Offshore Vessels	21	22	21	19	19	19	19
Rigs	3	4	4	4	4	4	4
Ships	30	29	32	45	49	47	47
<b>Global Orderbook</b>							
Dry Bulk	21%	16%	16%	8%	9.90%	10.90%	11%
Product Tankers	15%	17%	15%	11%	9.50%	7.35%	6.80%
Crude Tankers	12%	17%	19%	13%	13.50%	10.50%	9.20%

Source: - Company presentations

### Media

We have Jagran Prakashan in our portfolio in media space. Jagran Prakashan is in the business of newspaper printing and publication (Dainik Jagaran, Inquilab, Mid-Day, Nai Dunia) and in radio business under Radio City brand through its subsidiary Music Broadcast Limited with 39 stations across 12 states.

There is a popular belief that print is a dying media and does not have any future. But if we look at the data (IRS Q1 2019 survey) even in recent times there has been addition of readers in English, Hindi and regional language dailies.

## Exhibit 3: Breakup of readers across the three segments of dailies

### A Growth in Absolute Readers Across Languages

Read in Last 1 Month	ALL INDIA		URBAN		RURAL	
	IRS 2017	IRS Q1 2019	IRS 2017	IRS Q1 2019	IRS 2017	IRS Q1 2019
Any Hindi Dailies	17%	17%	21%	21%	15%	15%
Readers in Crores	17.6	18.6	7.6	8.0	10.0	10.6
		+1.0 Cr		+0.4 Cr		+0.6Cr
Any Regional Dailies	19%	20%	28%	28%	15%	15%
Readers in Crores	20.3	21.1	10.3	10.6	10.0	10.5
		+0.8 Cr		+0.3 Cr		+0.5 Cr
Any English Dailies	2.7%	2.9%	6.5%	7%	0.6%	0.7%
Readers in Crores	2.8	3.1	2.3	2.6	0.5	0.5
		+0.3 Cr		+0.3 Cr		+0.0Cr

Source: Indian Readership Survey Q1 2019



Based on the recent IRS survey, some of the important facts about the business are:-

- Dainik Jagran is the largest newspaper publisher in India based on Indian Readership Survey of Q1 FY2019.
- Inquilab is the most read Urdu daily, growth of 21% over IRS 2017.
- Midday's Total Readership has grown by 22% over IRS 2017.
- Nai Dunia's (incl. Nav Dunia) Total Readership growth of 11% over IRS 2017.

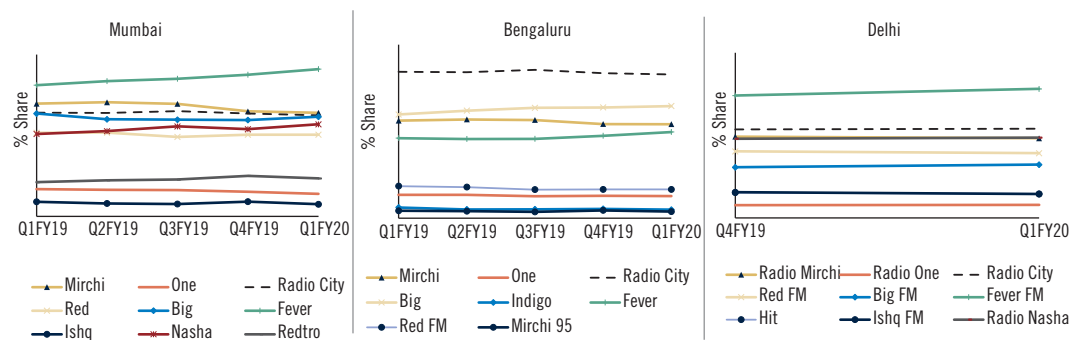
#### Exhibit 4: List of top 20 dailies in the country

TOP 20 DAILIES READERSHIP					
LAST 1 MONTH READ (TOTAL READERSHIP)					
TR OF PUBLICATIONS (U+R)	IRS 2017	IRS 2019 Q1	TR OF PUBLICATIONS (U+R)	IRS 2017	IRS 2019 Q1
Dainik Jagran	70377	73673	Prabhat Khabar	13492	14102
Hindustan	52397	54695	Mathrubhumi	11848	12951
Dainik Bhaskar	45105	51405	Punjab Kesari	12232	12657
Amar Ujala	46094	47645	Dinakaran	12083	12656
Daily Thanthi	23149	24054	Ananda Bazar Patrika	12763	12546
Lokmat	18066	19691	Gujarat Samachar	11784	11873
Rajasthan Patrika	16326	18036	Daily Sakal	10498	11841
Malayala Manorama (Daily)	15999	17477	Dinamalar	11659	11796
Eenadu	15848	15673	Sandesh	10352	10375
The Times Of India	13045	15236	Patrika	9823	9967

Source: INDIAN READERSHIP SURVEY Q1 2019

Jagran Prakashan also has strong presence in radio business and has the highest listenership in Bengaluru and second highest listenership in Mumbai and Delhi. These three are the most important and large markets for Music Broadcast Limited. It's also buying the business of Reliance Broadcast Network Limited for Enterprise value of Rs 1050 cr. Reliance Broadcast owns Big FM and had a revenue of Rs 256 cr and EBITDA of Rs 85 cr in FY 2019.

#### Listenership trends in Mumbai, Delhi and Bengaluru

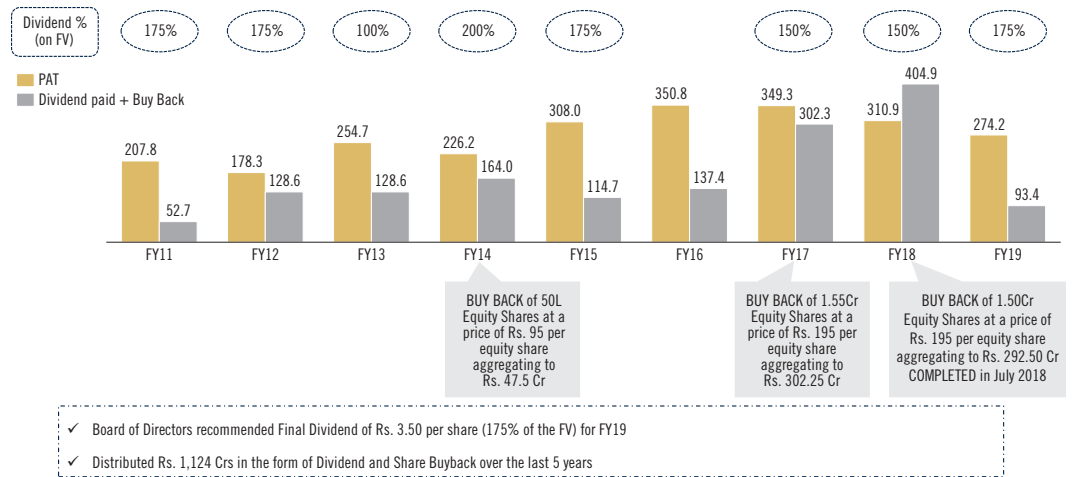


Source: RAM Data

In the last few years, because of the slowdown in economy, the advertisement revenue has shown low growth and also last year paper prices sky rocketed leading to pressure on margins. Both of them are cyclical factors and we expect as economy improves the advertising revenue to pick up and paper prices to mean revert leading to better growth in revenue and margins. In last five years the company has paid dividends and done buyback worth Rs 1124 cr and its market cap at stock price of Rs 70 is approx. Rs 2050 cr. We find the stock to be extremely cheap and hence have been holding on to the company.



## Exhibit 5: An Attractive Shareholder Return



Source: - Company presentations

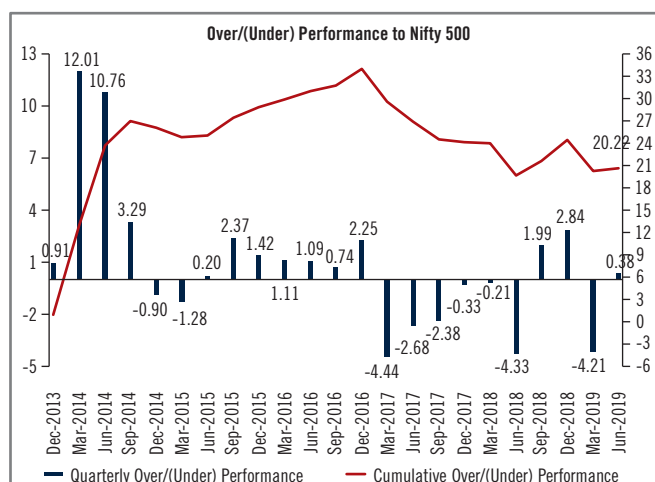
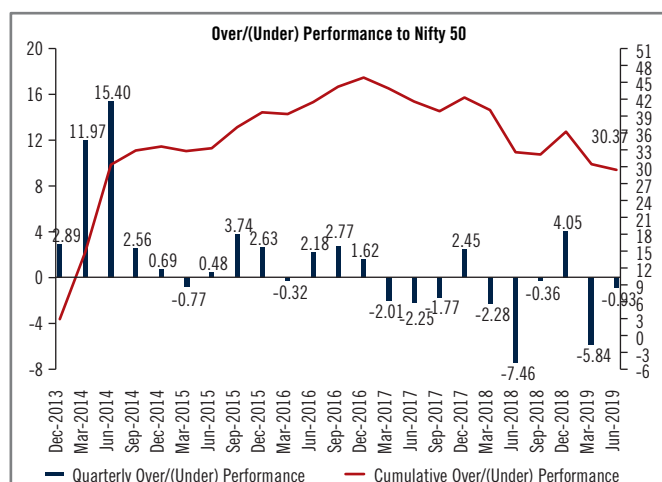
### Portfolio Stance

We remain cautious on the market as the type of companies we want to purchase are still not cheap despite market correction and hence we have been holding on to the cash in the portfolios.

Yours Sincerely.

# PGIM INDIA CORE EQUITY PORTFOLIO STRATEGY

## KEY PORTFOLIO PERFORMANCE INDICATORS



Performance depicted as at the above stated date is based on all the client portfolios under the Regular Portfolio of PGIM India Core Equity Portfolio Strategy existing as on such date, using Time Weighted Rate of Return (TWRR) of each client and then computing an arithmetic average for the overall strategy. Past performance may or may not be sustained in future.

### Top 15 Holdings of PGIM India Core Equity Portfolio Strategy Discretionary Portfolio Regular Plan as on August 31st, 2019

Date of Purchase	Equity	Sector	%
Feb-2018	Multi Commodity Exchange Of India Ltd	Other Financial Services	5.54%
May-2018	Bharat Electronics Ltd	Industrial Electronics	5.30%
Sep-2015	State Bank of India	Banking / Financial Services	5.15%
Jul-2013	Container Corporation of India Ltd	Logistics	4.95%
Jun-2015	ITC Ltd	FMCG	4.43%
Jul-2013	Indraprastha Gas Ltd	City Gas Distribution	4.42%
Oct-2017	Power Grid Corporation Of India Ltd	Power- Transmission	4.32%
Jan-2016	Oracle Financial Services Software Ltd	IT Services / Products	4.21%
Mar-2015	Castrol India Ltd	Lubricants / oils	3.89%
Aug-2013	Cummins India Ltd	Engineering	3.82%
Jun-2018	Ge Power India Ltd	Power Equipment	3.36%
Aug-2013	Great Eastern Shipping Co Ltd	Shipping	3.18%
Jul-2013	Engineers India Ltd	Consulting	3.06%
Apr-2016	Sanofi India Ltd	Pharmaceuticals	3.04%
Aug-2018	Cipla Ltd	Pharmaceuticals	2.92%
	<b>Total</b>		<b>61.59%</b>

### Model Portfolio Details

#### Portfolio Details as on August 31st, 2019

Weighted average RoCE	23.35%
Portfolio PE (1-year forward) (Based on FY 20)	17.04
Portfolio dividend yield	1.56%
Average age of companies	59 Years

#### Portfolio Composition as on August 31st, 2019

Large Cap	40.25%
Mid Cap	20.25%
Small Cap	26.50%
Cash	13.00%

**Large Cap:** Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on August 31st, 2019

**Midcap:** Market cap below 100th company to the market cap of the 250th company in the Nifty 500 (sorted by market cap in descending order) as on August 31st, 2019

**Small Cap:** Market cap lower than the 250th company in the nifty 500 (sorted by market cap in descending order) as on August 31st, 2019

The above holding represents top 15 holdings of PGIM India Core Equity Portfolio Strategy - Regular Portfolio based on all client portfolios existing as on the date stated above, excluding any temporary cash investments. The above holdings do not represent the model portfolio being offered to the clients (including prospective clients) and hence it is possible that these stocks may not be part of the portfolios constructed for new clients. The above holdings are for illustration purpose only and it should not be considered as investment recommendation or analysis or advice or opinion from the Portfolio Manager on the above mentioned stocks. The above portfolio holdings are provided on an "as is" basis, and the Portfolio Manager makes no express or implied warranties or representations with respect to the accuracy, completeness, reliability, or fitness of the above portfolio holdings or any financial results you may achieve from their use. In no event shall the Portfolio Manager, its directors or employees or its affiliates have any liability relating to the use of the portfolio holdings.



## PGIM India Core Equity Portfolio Strategy Portfolio Performance as on August 31, 2019

Period	Portfolio	NIFTY 50	NIFTY 500
1 Month	-1.61%	-0.56%	-0.29%
3 Months	-7.82%	-7.72%	-8.54%
6 Months	-0.85%	2.14%	0.24%
1 Year	-9.19%	-5.60%	-10.00%
2 Years	0.80%	5.61%	1.80%
3 Years	3.79%	8.03%	6.36%
5 Years	7.88%	6.74%	7.14%
Since Inception Date 08/07/2013	17.45%	10.80%	11.75%
Portfolio Turnover Ratio*	28.22%		

\*Portfolio Turnover ratio for the period September 1st, 2018 to August 31st, 2019

## Consolidated Portfolio CY Performance of PGIM India Core Equity Portfolio Strategy

CY	Portfolio Performance	Nifty 50	Nifty 500
08-07-2013 to 31-12-2013	13.79	7.43	8.36
CY 2014	77.24	31.39	37.82
CY 2015	2.48	-4.06	-0.72
CY 2016	8.90	3.01	3.84
CY 2017	24.56	28.65	35.91
CY 2018	-2.98	3.15	-3.38
CY 2019 till 31-08-2019	-5.60	1.48	-2.10
08-07-2013 to 31-08-2019	17.45	10.80	11.75

**Important Disclosures regarding the consolidated portfolio performance:** Performance depicted as at the above stated date is based on all the client portfolios under the Regular Portfolio of existing as on such date, using Time Weighted Rate of Return (TWRR) of each client and then computing an arithmetic average for the overall strategy. Past performance is no guarantee of future returns. The above portfolio performance is after charging of expenses (as depicted above). Return for period upto 1 year is absolute. Since inception date stated is considered to be the date on which the first client investment was made under the strategy. Please note that the actual performance for a client portfolio may vary due to factors such as expenses charged, timing of additional flows and redemption, individual client mandate, specific portfolio construction characteristics or other structural parameters. These factors may have impact on client portfolio performance and hence may vary significantly from the performance data depicted above. Neither the Portfolio Manager, nor its directors or employees shall in any way be liable for any variation noticed in the returns of individual client portfolios. The Portfolio Manager does not make any representation that any investor will or is likely to achieve profits or losses similar to those depicted above.

**Investment objective of PGIM India Core Equity Portfolio Strategy:** PGIM India Core Equity Portfolio Strategy seeks to generate returns by investing in a portfolio of value stocks which have the potential of wealth creation over long term.

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